UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA WESTERN DIVISION

JUDITH ALLEN, ET AL.,) CASE NO: 2:14-CV-2721-MWF-FFM
Plaintiffs,) CIVIL
vs.) Los Angeles, California
GIRARDI KEESE, ET AL.,) Tuesday, July 21, 2015) (10:28 a.m. to 11:02 a.m.)
Defendants.)

PLAINTIFFS' MOTION TO COMPEL

BEFORE THE HONORABLE FREDERICK F. MUMM, UNITED STATES MAGISTRATE JUDGE

APPEARANCES:

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PAIGE SHEN, ESQ.

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Girardi Keese

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Transcriber: Exceptional Reporting Services, Inc.

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361 949-2988

Proceedings recorded by electronic sound recording; transcript produced by transcription service.

Los Angeles, California; Tuesday, July 21, 2015; 10:28 a.m.

(Call to order)

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THE CLERK: Calling Item Number 2, CV-14-2721, Judith Allen, et al. versus Girardi Keese, et al. Counsel, please state your appearance.

MR. ISAACS: Good morning, Your Honor, Jeffrey Isaacs and Paige Shen on behalf of Plaintiffs.

THE COURT: Good morning.

MR. FINNERTY: Good morning, your Honor, Bob Finnerty and Jordan Scott on behalf of the Defendants.

THE COURT: Good morning, please be seated. right, first of all, it looks to me as there really -- there -no issues have been raised here that haven't previously been raised and rejected by the Court in connection with why the documents shouldn't be produced. The Defendants seem to persist in their contention that they don't agree with the Plaintiffs' theory and so, therefore, they don't have to give them any documents. And that's just not the way discovery works. The Defendants keep persisting in claiming that there are documents that are subject to an attorney-client privilege, but there's no privilege log, and that's not the way that discovery is supposed to work. The only issue that I'm having a hard time getting my arms around is what is the problem with -- I think there are two particular attorneys that the Defendants are adamant they're afraid that the sky is going to

fall if these attorneys see any of these documents, and I'm not
exactly sure what the problem is. Apparently these attorneys
previously had represented some of the Plaintiffs in the multidistrict litigation, but I'm not sure. So I'll hear from
either Mr. Finnerty or Ms. Scott with respect to why is there a

either Mr. Finnerty or Ms. Scott with respect to why is there a problem with respect to these two lawyers whose names escape me

at the moment. And if you would please take the podium.

MR. FINNERTY: Sure, your Honor. I think the lawyers that the Court is referring to are Gruber and Snyder.

THE COURT: All right.

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MR. FINNERTY: And, your Honor, in taking a look at the motion and the opposition, I think that the initial concern about Gruber and Snyder is they're out there trying to generate That's simply the issue. But I think that the more clients. real issue in this case is what is the claim? The claim is that Girardi Keese took too much in fees and overcharged in To date, Girardi Keese has provided a accounting of the costs. amounts recovered, the amounts charged in fees, and the amounts charged in costs. There's no further information that the Plaintiffs need to determine what has happened here. We know that 40 percent fees were charged off of the global settlement, and we know what the total costs were. And each of the clients who signed their consents prior to receiving their distributions knew what the fees were and the costs were. With that knowledge, they easily had the information as to the

They remain counsel for all of the HRT

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agreement with them.

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claimants, which includes the Plaintiffs, which I believe has been explained to Mr. Baker. And it's really unclear to say the least as to what the issue is with respect to these attorneys since they continue to be counsel for and have an attorney-client relationship with all of the HRT claimants, as we refer to the whole group, the 140 or so, in the underlying HRT litigation. They still have ethical duties and they still have fiduciary duties to these clients. It appears to be Girardi Keese's position that somehow Snyder and Gruber have brought about this case in order to seek revenge, I think is the term that Mr. O'Callahan used in his declarations, or vengeance. Don't really understand why that's relevant. don't believe that's the case. But in any event, presumably that would be the subject of some kind of motion practice. But we don't really want to spend a lot of time -- we've already -we think we've already spent too much time on this whole issue with Girardi Keese, so we've repeatedly proposed protective orders to try to deal first with their concerns about the master settlement agreement and, second, with respect to their concerns about Snyder and Gruber seeing documents that they don't want them to see. So with respect to the master settlement agreement -- and yesterday, in case your Honor -- in case this issue arose today, we filed electronically some of the more recent correspondence relating to the protective order that the parties have had. And I provided a hard copy to your

1 | Honor's clerk and I have one for Defendants' counsel as well.

2 But in any event, with respect to the master settlement

3 agreement, that's been resolved with counsel for the HRT

4 Defendants. And that actually was resolved several months ago.

5 We drafted a proposed protective order, we sent it to

6 Defendants' counsel, and we sent it to HRT -- the HRT

7 Defendants' counsel, Mr. Dougherty (phonetic). We reviewed it

8 | with him and he was fine with it. So as -- with respect to the

9 proposed protective order, which I think would deal with a lot

10 of their issues, certainly the privacy issues, the -- and the

11 master settlement agreement issues that they continually raise,

12 | that's been resolved in the proposed protective order and I

13 | think we're now on the fourth iteration that we have sent to

14 Defendants' counsel.

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So with respect to Snyder, Gruber, as you might recall, my partner, Mr. Friedburg, when he was last here before your Honor, suggested an attorney's eyes only provision for the Torrey Pines Bank record. And we understand. We don't -- nobody wants their bank records of the client trust account or the operating account to be seen by anybody that doesn't absolutely need to see it. And your Honor did a masterful job if I must say of drafting a protective order for the parties with respect to the Torrey Pines Bank records. Before that order had even issued, we had proposed yet another iteration of a proposed protective order to Defendants' counsel which would

So I think we understand the issue,

about Snyder and Gruber.

we're trying to address it, we really don't think it's relevant or significant, but if it's the impediment, then let's get rid of it. And the best way to do that is through a protective order and we can -- or I think if your Honor sees the correspondence, I think your Honor's protective order in Torrey Pines Bank would address that issue as well. The only problem is they maintain that these two lawyers and their staff may be witnesses so they must have access to some documentation. So that's the Snyder, Gruber -- that's as much as we know about their issue with Snyder, Gruber.

And the only thing I'll add is that Defendants have been trying to bring Snyder, Gruber into this case from day one. When they originally -- when we originally filed the complaint, which was after we couldn't get an accounting out of them, they filed a motion to compel arbitration before Justice Panelli; and, as part of that motion, they also asked that the action be dismissed because Snyder and Gruber were necessary parties. So that was fully briefed before Judge Fitzgerald. It was heard by him and that argument was expressly rejected in the same order that denied their motion to compel arbitration and a finding that Snyder, Gruber made no claims here, Snyder, Gruber are no different than any of the other lawyers who were working on the case, and there really was no basis to pull them into the case as required parties or necessary parties. So now they seem to be trying to pull them in as witnesses -- and,

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again, that's their prerogative -- or as some kind of justification or defense which we really don't understand.

But putting that aside, as to these claims that we have everything that we want, we clearly don't. And really, to get to the real problem with these responses to their -- to our request for production, they've effectively said that in those responses we've produced everything except those documents that we haven't produced. And they won't tell us what they haven't produced and they won't tell us why they're not producing it. And then in their joint stipulation, they said we'll be providing a privilege log within ten days of the filing of the joint stipulation. That was three weeks ago. We still have no privilege log, we have no further communications from them, no mention of it in their supplemental memorandum. So we're without that. We don't know exactly what is being withheld, except let me say this. We're dealing with an aggregate settlement here. And I think as your Honor now is beginning to get a sense of, there's special rules that have to do with aggregate settlements in terms of obtaining informed written consent and all the disclosures and all the records that have to be maintained. So we know that we do not have and they should have, because they're required to maintain it by law, any of their banking records relating to the distribution and allocation of these funds or any of their internal accounting records that would let us perform our own accounting, because

1 the ones that counsel referred to are horribly inaccurate, 2 don't even add up, don't match any of the other documentation. We go from 5.65 percent in estimated costs which, of course, 3 none of the Plaintiffs were told were estimated, down to 4.9 4 5 percent. But the cost report we get after we file the lawsuit 6 is 3.3 percent. And then we start looking through that and 7 there's all these costs that -- with no backup documentation. So we definitely have a need for it. I would say they're not just relevant, I think they're critical to trying to find out 10 what happened to all this money, who got what, and when did 11 they get it. But we also know that we're missing internal 12 communications. They say the 5.65 percent was a good faith 13 estimate. Okay, again, no mention of that at the -- to any of 14 the Plaintiffs or any of the HRT claimants. But there must be 15 some internal documentation by which they went through this 16 process. Haven't seen any of that. They haven't produced any 17 of that. 18 And then with respect to -- and I'm just giving your 19 -- the Court a couple of examples -- we have the -- really a 20 key piece of this is how did they allocate funds, that 21 aggregate settlement, between these 140 or so claimants? 22 they say, well, that was Justice Panelli. But when we ask for 23 documentation from JAMS, there is nothing and the invoices 24 don't reflect anything more than two or three hearings or 25 meetings that he conducted. So we would expect that there

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would be something documenting how they actually went about allocating, what formula they used, what factors they used, how -- correspondence from Justice Panelli saying here's who gets what and the like. Nothing. Then we asked for documentation about the directive, the order from Justice Panelli to withhold six percent. Nothing. We've produced everything except for what we haven't produced, again. And we -- well, we haven't produced and we haven't produced it because it's privileged or we haven't -- we've made an objection to it. But all those objections that your Honor observed at the outset have been addressed by your Honor in the Torrey Pines Bank order. Attorney-client privilege doesn't apply here, work product doesn't apply, privacy rights which we in no way mean to belittle are either the privacy rights of our clients or privacy rights that could be addressed by a protective order. So there's just really no basis for them to continue to refuse to not just provide us with the documents that are responsive, but what we're missing here is in their responses, telling us, okay, if you don't have something, we need to know that, so let's stop fighting about it. And if you look at the responses, like I say, they're beyond evasive. They're just meaningless. And clearly Rule 34 contemplates that if you're going to raise an objection to certain documents, you raise that objection and then you provide a privilege log as to those documents. As to anything else, we should be told, yes, there

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are documents or, no, there are no documents. And if there are documents, they should be produced.

THE COURT: So how soon do you need the documents? MR. ISAACS: This has been dragging on. And I know from our last -- our telephonic hearing before Judge Fitzgerald that he's growing a little impatient so -- on the other hand, I understand that it's -- takes some time. We would like them as soon as possible. I think a reasonable amount of time would be two weeks. And, again, we have met and conferred and we are always available to meet and confer about specific issues and work through specific issues. But we have an ethics expert and we have a forensic accountant ready, standing by, waiting, anxious to actually have something to look at so they can get to work on this case. We have motions that we would like to bring. They may have motions they may want to bring. So we would like to try to advance the case. As your Honor knows, we're not going to be deposing Justice Panelli until late August, and the date we got for the JAMS PMK (phonetic) just yesterday was going to be early September. So that part of the case is kind of on hold until we're able to conduct those depositions. So we'd like to get the documents and move on.

One last thing. I just mentioned just to let your

Honor know, one bit of good news is that pursuant to your

Honor's directive, the parties have agreed on a third party

neutral to review the Torrey Pines Bank records, and that's

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    going to be retired Superior Court Judge Michael Solner.
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    Judge Solner is now beginning his conflicts review and so
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    hopefully he'll be able to start the process with the Torrey
    Pines Bank records within the next few days.
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              THE COURT: All right.
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              MR. ISAACS: Thank you, your Honor.
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              THE COURT: Anything further you'd like to --
              MR. FINNERTY: Thanks, your Honor.
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              THE COURT: -- bring to my attention?
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              MR. FINNERTY: Yes, if I could. Your Honor, if we
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    take a look at the introduction to this motion, it says the
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    basis for the claims. Defendants paid themselves a 40 percent
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    contingent fee. We've produced documents to Ms. Allen and all
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    of the Plaintiffs in this case indicating that we charged them
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a 40 percent fee. They signed those in order to receive their allocations in the case.

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The next theory of recovery is that we paid ourselves substantially more than 40 percent of the fee. Well, if we take a look at Tab 5 -- I'm sorry, Tab 7 of the moving papers, Exhibit 6, we have presented the defendant -- or the Plaintiffs, I'm sorry, with a breakdown of all of the allocations to the individual Plaintiffs, all the fees charged to those individual Plaintiffs, all the costs charged to those individual Plaintiffs with net recoveries then for each Plaintiff in the case, as well as --

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              THE COURT: All right, so which document are you
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    referring to here?
              MR. FINNERTY: Tab 7, Exhibit 6, to Jim O'Callahan's
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    declaration.
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              THE COURT: Okay, and you've also provided all of the
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    backup for all of these figures?
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              MR. FINNERTY: We have also provided the cost
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    breakdown --
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              THE COURT: Well, but do you have all the backup to
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    these figures here on this Exhibit 6?
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              MR. FINNERTY: All of the backup being the consents
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    for each one of these?
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              THE COURT: No, whatever --
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              MR. FINNERTY: Each one --
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              THE COURT: -- evidence you have that would support
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    this figure. For instance, if we look at the top person,
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    Judith Allen, there are certain figures there. You must have
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    some documentation that supports those figures. Has that been
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    produced?
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              MR. FINNERTY: If you take a look at --
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              THE COURT: Just answer my question.
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              MR. FINNERTY: Yes.
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              THE COURT: Has it been produced?
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              MR. FINNERTY: Yes, your Honor.
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              THE COURT:
                          All right.
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MR. FINNERTY: And if you take a look at Tab 5, so this is exhibit to John Sheehan's (phonetic) declaration, which is Tab 5 --

(Mr. Finnerty/co-counsel confer)

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MR. FINNERTY: I'm getting a correction here. It's Exhibit 5 to Mr. O'Callahan's declaration. It's Exhibit N. Let's try that one more time. It's Exhibit N to Mr. Sheehan's declaration.

THE COURT: All right.

MR. FINNERTY: And it has the July 25th, 2014, Girardi Keese letter to Judith Allen with a copy of her consent attached to it, which is the next page. It's page 60 in this exhibit, and it spells out that Girardi Keese took 40 percent, it spells out the total cost -- it gives the total amount of attorneys' fees Girardi Keese paid to itself, as well as the total cost that Girardi Keese paid to itself. Exhibit O has --I'm sorry, Exhibit P has the Girardi Keese cost breakdown for the entire HRT case. So then the only claim left for the basis of recovery or theory of recovery in this case is that we enjoyed free use of the settlement funds. That issue is going to be shown to not be accurate with respect to the banking records, your Honor. So, I mean, there's no basis for any of the theories of recovery that for which we have not already provided all of the evidence they need. The Court asked Plaintiffs' counsel if they had all of the evidence they need.

- 1 | Counsel's response was we don't have all the evidence we want.
- 2 He didn't address the Court's question about need. So I think
- 3 | that if we are truly looking at an efficient way of handling
- 4 litigation, they have everything they need. There hasn't been
- 5 | a request for further information with respect to these claims
- 6 that they claim are the basis for their theories of recovery.
- 7 **THE COURT:** All right.
- 8 MR. ISAACS: Your Honor, may I be heard?
- THE COURT: Yes, please.
- 10 MR. ISAACS: So if I use the word "want" instead of
- 11 | "need" or "essential," let me please correct the record. We
- 12 | need these records. They are -- and documents -- and they
- 13 | actually are essential.
- 14 **THE COURT:** Well, and you might keep in mind that the
- 15 | standard isn't need or want, it's whether it's relevant to a
- 16 | claim or defense.
- 17 MR. ISAACS: Of course, your Honor. But just so the
- 18 record is clear, as to this July 25th letter, this of course is
- 19 | a letter that was sent after this litigation began, after
- 20 | Girardi Keese previously sent a letter, Mr. O'Callahan, who's a
- 21 | signatory on the July 25th, 2014, letter, saying, here's your
- 22 | final payment. Nothing about estimates of cost, which were
- 23 | 5.65 percent, nothing about withholding of six percent. This
- 24 letter comes only after we filed our lawsuit, only after Judge
- 25 | Fitzgerald denied their motion to compel arbitration before

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Justice Panelli. But more importantly, when it comes to what's our claim, this information is largely false. Forty percent? They're not entitled to 40 percent. They had no retainer agreement. Judge Fitzgerald has already found that. retainer agreement was between Ms. Allen and the other HRT claimants and the Snyder and Gruber firms. Now they're down to 4.9 percent of costs which are about 850,000. Previously they were at I think it was about 980,000 in costs. But then, if you look at the costs report that counsel referenced, that only adds up to about 540,000, I think. So we have this huge gap. And most of those entries turn out to be unsubstantiated, or certainly raise issues of grossly excessive payments, or payments that just don't seem to even have been made. And that's exactly why we need the banking records and the accounting records.

And lastly, we're not dealing with a commercial case here with parties who are at arm's length. Girardi Keese were the counsel. They had an attorney-client relationship with all these HRT claimants. They owed them ethical duties, they owed them fiduciary duties of full disclosure, not to mislead, to maintain certain records, to make full -- to make certain disclosures, and that clearly didn't happen. So I think we have a very strong basis for our claims already. And what we're trying to do is just get the evidence that will allow us to determine how serious it is, the extent of the

1 misappropriations, the extent of the non-payments, and the 2 extent of the misstatements, misrepresentations, and non-3 disclosures. And, as your Honor has observed, that's all relevant and that's the way litigation works. So we're 4 5 certainly not here trying to waste anybody's time, impose undue 6 burdens on Defendants. We have a need for these documents, 7 they're clearly relevant. And we're happy to further engage in any discussions about the underlying merits of the case. 8 think as your Honor observed at the outset, they may disagree, 10 but I think we've made our case and we were very careful in our 11 papers, in the joint stipulation, for each category to document 12 why the request was relevant. And they've never come back to 13 us and said, oh, it's way too broad or it's -- we don't 14 understand it or vaque or anything. As I said, all they said 15 was we produced everything except that what we're not going to 16 produce because we think it's privileged or we have another 17 objection. And your Honor has already addressed that, and I 18 think our papers do. 19 THE COURT: Let me ask you this. Is there -- are 20 there any other motions on the horizon here? How is discovery 21 going in general? 22 MR. ISAACS: Discovery is not going well. 23 a number of other motions on the horizon. To be honest with

participate in the discovery process.

you, Girardi Keese seems to have just sort of decided not to

The last two sets of

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1 interrogatories and our -- and a follow-up set of request for 2 production were never responded to. Time has gone, we are now 3 in the process of writing meet and confer letters on those. And then I think we will be filing a motion to compel responses 4 5 -- further responses on our first set of interrogatories 6 limiting it just to those where we -- where documents may not 7 be enough. So I think it's fair to say everybody abhors these types of discovery motions. We're doing everything we can to 8 9 avoid it. We've engaged in extensive meet and confers, 10 multiple in person, exchange of correspondence and the like, 11 and we can't even -- we don't even have a stipulation to a 12 protective order which I've never had a problem with that in a 13 case. And frankly, if we're not able to resolve it or if 14 they're not willing to accept our latest proposal or some 15 modification of your Honor's Torrey Pines Bank protective 16 order, then we're -- and we've actually been working on an ex 17 parte application to bring that issue before your Honor so we 18 can get a protective order in place and at least beyond that. 19 THE COURT: All right. Well, let me do a couple of 20 things here. First, I'm going to grant the motion in full, all the objections are overruled. The Defendants are ordered to 21 22 produce supplemental responses without objections to all the 23 document requests and to produce all the documents within two 24 Secondly, I want the Plaintiffs to submit to the Court weeks. 25 a proposed protective order; and then within five days

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thereafter, Defendants may file objections that specifically address the language they object to and propose alternate language. And then I will enter a protective order. And then thirdly, I think that we've had enough (indiscernible) matters on discovery here, so I'm going to try to do something to see if I can't perhaps encourage the parties to cooperate a little And the first step is going to be that I would ask the Plaintiffs to provide a declaration of all the fees you've incurred in connection with this motion. The Defendants can, within five days thereafter, object to any particular fees and make statements as to why they don't think I should order fees because I think you're entitled to notice before I would award fees. And once I then issue an award regarding the fees, if we get another motion, I will look at it but I must admit that it seems to me almost every single issue involved in this motion I previously ruled upon on other motions. I don't want to rule upon the same issue again. And if I do, then what I'll do is I will ask for declarations regarding attorneys' fees incurred in the prior motions, and so we can add those up. We can get to a point perhaps where it will be considered, I don't know, should we say appropriate for counsel to deal with each other and work with discovery and get the information to the Plaintiffs that they want or that they need. But certainly whether they want it or need it, if it's relevant to a claim or defense, they're entitled to it and they're going to have it. And this case has

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CERTIFICATION	
I certify that the foregoing is a correct transcript from the	
electronic sound recording of the proceedings in the above-	
entitled matter.	
Join Hudson	
July 27, 2015_	
TONI HUDSON, TRANSCRIBER	